

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

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REGISTRATION & DISCLOSURE

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

STEVE T. NEWMAN
(CRD No. 4778356)

Respondent.

Disciplinary Proceeding
No. 2007009893501

COMPLAINT

The Department of Enforcement alleges:

RESPONDENT AND JURISDICTION

1. Steve T. Newman ("Newman") became registered, as an investment company and variable contracts products representative, in December 2005, with FINRA member Farmers Financial Solutions, Inc. ("FFS"). On July 25, 2007, FFS filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") terminating Newman's registration with FINRA.
2. Newman is not currently associated with a FINRA member, but he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws, in that the misconduct alleged in the First Cause of Action occurred while Newman was associated with a member firm and this Complaint was filed within, and the violation of NASD Procedural Rule 8210 alleged in the Second Cause of Action occurred within, two years of his last association with a FINRA member.

SUMMARY

3. Newman misappropriated approximately \$24,353 from an insurance policyholder, which he had received for payment of insurance premiums, in violation of NASD Conduct Rule 2110. Newman also failed to appear and provide on-the-record ("OTR") sworn testimony as requested by FINRA, in violation of NASD Procedural Rule 8210 and NASD Conduct Rule 2110.

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FIRST CAUSE OF ACTION

NASD Conduct Rule 2110

(Misappropriation of Insurance Client Funds)

4. The Department realleges and incorporates by reference paragraphs 1 through 3 above.
5. At all times relevant herein, Newman was employed as an insurance agent by Farmers Insurance Group ("FIG"), an affiliate of FFS. During the period from October 31, 2006 through December 21, 2006, Newman received two insurance premium payments from PABI, an insurance client, in the aggregate amount of \$24,353.
6. The first premium payment was in the form of a check dated October 31, 2006, and was made payable to FIG. That check was in the amount of \$6,080.75, and was an initial payment on a new policy.
7. On December 7, 2006, Newman instructed PABI to make a second premium payment check payable to "Bailey Newman Insurance," a business entity controlled by Newman, rather than to FIG.
8. The second premium payment was also in the form of a check and was dated December 21, 2006. The second premium payment was made payable, as directed, to "Bailey Newman Insurance." The December 21, 2006 check was in the amount of \$18,272.25, and was for the balance of the annual policy premium.
9. Rather than depositing the two checks in an account for FIG or submitting them to FIG, Newman deposited the checks into an account over which he maintained control (a Bailey Newman Insurance account) and thereafter misappropriated the funds, using a portion of the funds for his own use and benefit.
10. Such acts, practices and conduct constitute violations of NASD Conduct Rule 2110 by Respondent Newman.

SECOND CAUSE OF ACTION

NASD Conduct Rule 2110 and NASD Procedural Rule 8210

(Failure to Respond)

11. The Department realleges and incorporates by reference paragraphs 1 through 10 above.
12. In July 2007, FINRA commenced an examination regarding Newman. During the course of the examination, FINRA determined that it required a sworn statement from Newman. Therefore, by letter dated August 7, 2008, sent pursuant to NASD Procedural Rule 8210, FINRA requested that Newman appear and testify on August 21, 2008.
13. A copy of the August 7, 2008 letter was also sent to Newman's legal counsel via first class mail.
14. On August 18, 2008, FINRA received a letter from Newman's legal counsel. Counsel indicated that Newman would not appear at the Atlanta District Office to attend the OTR and requested that the OTR be rescheduled for San Antonio, Texas.
15. By letter dated August 21, 2008, pursuant to NASD Procedural Rule 8210, FINRA sent Newman a second letter requiring him to appear and testify on September 4, 2008 in San Antonio, Texas. The August 21, 2008 letter was sent via first class and certified mail, return receipt requested, to Newman at his residential address listed in the Central Registration Depository ("CRD").
16. The August 21, 2008 letter was also sent to Newman's legal counsel via facsimile and first class mail. The August 21, 2008 letter sent to Newman by first class mail was not returned. The August 21, 2008 letter sent to Newman by certified mail was unclaimed.
17. However, Newman's legal counsel sent FINRA a letter dated August 29, 2008, via facsimile, in which he indicated that he had discussed FINRA's request with Newman and that Newman would not appear for the requested OTR. Newman failed to appear and testify as requested on September 4, 2008.
18. Such acts, practices and conduct constitute separate and distinct violations of NASD Procedural Rule 8210 and NASD Conduct Rule 2110 by Respondent Newman.

RELIEF REQUESTED

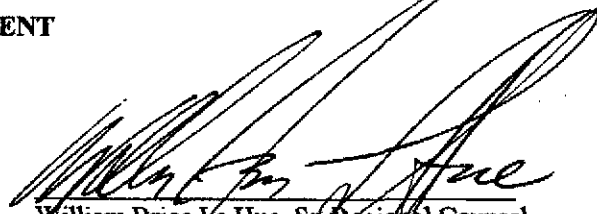
WHEREFORE, the Department respectfully requests that the Panel:

- A. Order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that the Respondent be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest.
- B. Order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date:

3/10/09



William Brice La Hue, Sr. Regional Counsel
FINRA Department of Enforcement
Atlanta District Office
One Securities Centre, Suite 500
3490 Piedmont Road, N.E.
Atlanta, Georgia 30305
Phone: (404) 239-6111; Fax: (404) 264-1586
E-Mail: brice.lahue@finra.org

Andrew A. Favret, Assoc. VP/Reg'l Chief Counsel
FINRA Department of Enforcement
New Orleans District Office
1100 Poydras Street
Energy Centre, Suite 850
New Orleans, Louisiana 70163
Phone: (504) 412-2404; Fax: (202) 721-6527
E-Mail: andrew.favret@finra.org